

Realty Stock Review

January, 1986

SPECIAL REPORT 1986-1

RAISING EQUITY CAPITAL FOR REAL ESTATE

INDUSTRY TRENDS: 1985 WAS A RECORD YEAR AS NEW REITS RAISED \$2.7 BIL. NEW EQUITY

The year 1985 is going into the books as the Year of the REIT. Here's our tally of the Class of 1985:

Initial REIT offerings: At this writing 27 new REITs have debuted in the marketplace by raising \$2.69 bil. new equity, plus another \$586 mil. debt for total capital of \$3.27 bil. That more than doubles the \$1.36 bil. raised by new REITs in 1970, the previous record. DETAILED REVIEWS OF NEW REITS BEGIN P.5.

Existing REITs raised another \$344 mil. equity and \$137 mil. debt for a total \$481 mil. That is well below the record \$804 mil. in 1971.

New tradable master limited partnerships raised \$268 mil., all for mortgages, in 1985, all in best efforts offerings; another offering (American Insured Mortgage '85) wasn't closed at year-end but likely added \$200 mil. to the 1985 total. MLPs raised \$382 mil. in 1984. DETAILED REVIEWS BEGIN P. 18.

Initial offerings by operating companies totaled \$230.9 mil., divided \$82.1 mil. equity and \$148.8 mil. debt in three offerings. The massive re-offering of **General Development** (RSR, Sept. 13) accounted for \$213.6 mil.

So far the market has given a decidedly unfriendly welcome to this Class of 1985 REIT issues. Our tally, priced as

of Dec. 31. on Page 2, shows only four of the 27 REITs trading above offering price; the weighted average decline was 10.4%. One of the 1984-85 MLPs trades above offer price but all three operating companies sold over their offer price. The following article describes one possible explanation.

This SPECIAL REPORT contains detailed reports from the pages of REALTY TRUST REVIEW on all new REIT and MLP offerings. A detailed roster of 1985 new offers by REITs and MLPs, dollar size of equity, investment type, Dec. 31 price compared to offer price, and underwriters appears on Pages 2-3. (1/20/85) Here's a summary of 1985 offerings by investment type:

Trusts--Invest.Type:	Mil. \$	Percent
4--Combination.....	\$466.48	17.4%
10--Equity.....	706.72	26.3
8--Partic. mortgage...	1,139.40	42.4
2--Mortgage.....	157.50	5.9
3--Leasebacks.....	217.40	8.1
27-- TOTAL.....	\$2,687.50	100.0%
13--Finite Life.	\$ 867.65	32.3%
5--Best efforts.....	465.32	17.3%

MARKET COMMENT: INSTITUTIONAL HOLDINGS IN REALTY STOCKS SURGE UNDER BEARISH SKY

Since midyear, realty stock prices have gone into a holding pattern while the (Turn to Page 4)

A record year for REITs...1	Table: Summary of 1984-1985 offerings of REITS and Master Limited Partnshp.2-3	Reviews of new REITs...5-17
Institutional holdings...1		
Lower rates for 1986.....4		Reviews of new MLPs...17-20

KENNETH D. CAMPBELL, PRESIDENT/FAYE KREISMAN, STATISTICS/AUDIT INVESTMENTS, INC., 230 PARK AVE., N.Y. 10169

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SUMMARY OF 1984-1985 REIT OFFERINGS - Priced Dec. 31, 1985

Trust	Date	Th. Shs./ Units	Offer Price	Mil. \$	Type	Price 12/31/85	% Chng.	u-Under- writers
1984								
Golden Corral Realty..	10/9/84	1,220	\$10.00	\$ 12.2M	LB	\$11.75	+17.5%	AB
Landsing Inst. Props..	V.2/17/84+	5,658	10.00	56.6	F-EQU	9.75	- 2.5	SELF
MSA Realty Corp.....	3/29/84	2,420x	10.00x	24.2	EQU	9.88	- 1.3	DBL
Resources Pension 2...	1/17/84+	8,458S	10.00S	84.6	F-PMT	11.50	+15.0	SELF
Sierra RE Eq. Tr. '83..	2/29/84+	3,016y	10.00y	30.2	F-EQU	10.25	+ 2.5	SELF
Strategic Mtg. Invest..	12/12/84	5,465	20.00	109.3	MTG	18.63	- 6.9	ML
Travelers REIT.....	4/26/84	2,500	10.00	25.0	F-PMT	9.88	- 1.2	SLB
VMS Short Term Income..	11/14/84	6,667	10.00	66.7	MTG	10.00	0.0	DBL, VMS
Wespac Investors Tr III.	12/84+	6,239z	10.00z	62.4	F-EQU	NA	NA	SELF
TOTALS 1984.....			\$90.00	\$471.2M		\$91.63 T	+ 1.8%	
1985								
Beverly Invest. Props..	12/20/85	5,000	\$19.00	\$ 95.0M	COM	\$19.00	0.0%	ML
Centennial REIT.....	12/23/85	1,687	10.00	16.876	F-EQU	9.38	- 6.3	SB, DAIN, DICK
Consol. Cap. Income Op..	2/28/85+	12,280a	20.00a	245.6a	COM	15.20a	-24.0	Self
Copley Properties, Inc..	7/22/85	4,000	20.00	80.0	COM	16.88	-15.7	GS, ML, NEL
Countrywide Mtg. Inv...	9/8/85	4,750	10.00	47.5	MTG	10.38	+ 3.8	PW
EQK Realty Inv. I.....	3/5/85	10,044	18.30	183.8	F-EQU	17.38	- 5.0	SAL, PW
Grubb & Ellis Rlty. Inc.	4/12/85	1,250b	20.00b	25.0	F-PMT	15.75b	-21.3	BS, SLB, AGE, SUT
Health Care Prop. Inv..	5/23/85	4,370	20.00	87.4	COM	20.88	+ 4.4	ML
ICM Property Investors.	1/25/85	5,750	20.00	115.0	COM	14.75	-26.3	ML
Landsing Inst. Props. VI.	4/85+	6,723	10.00	67.23	F-EQU	10.00	0.0	SELF
Lincoln N.C. Rly. Fund.	12/16/85	1,725c	15.00c	25.88	COM	15.00c	0.0	BS, EFH
Lomas Mortgage Corp....	9/6/85	5,500	20.00	110.0	MTG	20.25	+ 1.3	ML
Meditrust.....	10/9/85	1,750	20.00	35.0	EQU	19.50	- 2.5	AB, ROBT
Mellon Partic. Mtg. Tr.	2/13/85	8,645	10.00	86.45	F-PMT	8.75	-12.5	EFH, BUTCH, WHT
Mortgage Invest. Plus..	6/28/85	9,000	10.00	90.0	PMT	8.63	-13.8	SLB, ML
Nooney Realty Trust....	9/30/85+	867d	20.00d	17.34	EQU	20.00d	0.0	Self
Prudential Realty Trust.	8/22/85	11,115e	10.00e	111.35	F-EQU	9.38e	- 3.8	PB
Rainier Realty Invest..	4/15/85	3,470	10.00	34.7	F-PMT	8.38	-16.3	PW, SB
Realty South Investors..	5/1/85	1,100f	20.00f	21.95	F-PMT	18.00f	-10.0	PB
Resource Pension Shs.	3/4/15/85+	8,635S	10.00S	86.35	F-PMT	9.75	- 2.5	Self
Rockefeller Ctr. Props..	9/12/85	37,500	20.00	750.0	PMT	18.63	- 6.9	GS, SLB
Sierra RE Equity '84...	2/28/85+	4,880g	10.00g	48.8	F-EQU	9.50g	- 5.0	SELF
Trammell Crow RE Inv...	11/21/85	7,880	15.00	118.2	F-EQU	13.38	-10.8	GS, EFH
Travelers Rlty. Income.	3/21/85	2,250	20.00	45.0	F-PMT	15.75	-21.3	SLB, SB, AGE
Turner Equity Investors.	7/22/85	4,800	10.00	48.0	EQU	8.38	-16.3	ML, LEGG, WHT, ETC
Webb (Del) Invest. Props.	7/25/85	2,200h	10.00h	22.0	F-EQU	9.63h	- 3.8	PW, BEHR
Weingarten Realty Inc...	8/16/85	3,750	19.50	73.1	EQU	19.88	+ 1.9	GS, ML, ROTAN
TOTALS 1985 (T).....			\$426.80	\$2,687.5M		\$382.33 T	-10.4%	

SUMMARY OF 1984-85 OFFERINGS OF TRADABLE MASTER LIMITED PARTNERSHIPS

1984								
Amer. Insured Mtg. Inv.	12/31/84+	10,000	\$20.00	\$200.0M	MTG	19.00	- 5.0%	SELF
CRI Insured Mtg. I....	11/2/84+	9,100	20.00	182.0	MTG	21.38	+ 6.9	ML, ETC
1985								
Angeles Finance Part..	11/1/85+	1,051	20.00	21.0	MTG	16.88	-15.6	SELF
CRI Insured Mtg. II...	11/8/85+	8,542	20.00	170.8	MTG	NA	NA	ML, ETC
VMS Mtg. Inv. LP.....	8/7/85+	7,629	10.00	75.7	MTG	9.38	= 6.3	SELF
TOTALS 1984 AND 1985.(T).....			\$70.00	\$649.5M		\$66.63 T	- 4.8%	

Initial offerings of debt securities combined with equity

REIT	Date	Type	Face Amt.	Price	Maturity	Conversion
MSA Realty Corp.....	3/29/84	Sub.Debs.	\$ 75.0	75.0*	4/1/93	No conv.
Rockefeller Center..	9/12/85	Mkt.debs.	335.0	335.0	12/31/00	\$11.82
Rockefeller Center..	9/12/85	Zero debs.	952.25	215.0**	12/31/00	21.71
Trammell Crow Rlty..	11/21/85	Zero notes	<u>56.26</u>	35.66**	11/27/97	No conv.
TOTAL 1985 ONLY.....			\$585.66			

* MSA offered with 111 wts. to buy one sh. at \$9.00 thru 4/1/89.

**Offering price: Rock. Ctr. equals 22.58% of par to yield 10.430%;

Tram. Crow equals 22.82% of par to yield 13.103%.

FOOTNOTES

Type: **F** = Finite life trust; **EQU** = Equity; **COM** = Combination property and mortgage; **MTG** = Mortgage; **PMT** = Participating mortgage. **LB** = Leasebacks.

+ Final closing date of best efforts offer; all others underwritten.

#-EQK: Offered from \$18.30 to \$17.27, depending on number of shares bought.

S-Adjusted for stock splits. T-Totals based on stocks with year-end quotes.

1985: a-ConCap: Purchase of 100 shares entitled purchasers to receive 20 warrants to buy additional shares at \$20 if order entered within four months of offering effective date (Dec. 20, 1983); 10 warrants if order placed between four and 12 months of such date; and five warrants if ordered subsequently before closing date (Feb. 28, 1985). Price shown is closing stock price (\$15.00) plus one-fifth of warrant price (\$1.00 or \$0.20). Warrants exercisable between 4.5 and 6 years from effective date of registration statement.

b-Grubb: Units of two shares and one warrant to buy an additional share at \$9.50 exercisable thru 4/10/1990, at which time wt. automatically converts into one-fifth share. Priced at unit price OTC. Shs. trade separately at \$7.75.

c-Lincoln N.C.: Units of one common share and one wt. to buy one sh. at \$13.50 thru 12/31/90.

d-Nooney: Warrants included at no extra charge; wts. entitle holder to purchase one addl. sh. at \$19.15 from 9/25/87 to 9/23/88. Purchasers before 3/26/85 received one wt. per 10 shs. purchased; and one wt. per 20 shs. purchased thereafter.

e-Prudential: Units of one \$8.00 par value income sh. entitled to all distributable cash as defined & one capital sh. entitled to all other distributions. Priced at \$7.63 preferred (income) and \$1.75 common.

f-Realty South: Units of one sh. and 1 wt. Priced at units price on ASE.

g-Sierra: Purchase of 100 shares entitled purchasers to receive 20 warrants to buy additional shares at \$9.50 if order entered within first five months of offering effective date; and 10 warrants if order placed during next three months (i.e., by Nov. 30, 1984). Warrants exercisable from 3/1/85 to 6/30/87. Price shown is bid price of shares (\$9.25) plus estimated price of one-fifth warrant.

h-Webb: Units of one share and one wt. to buy one sh. at \$9.50 thru 7/25/1990. Priced at unit price on ASE.

1984: x-MSA: Units of one sh. and 1/2 wt. for one sh. at \$9 thru 4/1/89.

y-Sierra: Units of one sh. and partial wt. for one sh. at \$9.50 thru 6/30/86.

z-Wespac III: Units of one sh. and one wt. which expired 12/31/85.

U-Underwriters: AB-Alex Brown; AGE-A.G. Edwards; BEHR-Bateman Eichler, Hill Richards; BS-Bear, Stearns; BUTCH-Butcher & Singer; DAIN-Dain, Bosworth; DBL-Drexel, Burnham & Lambert; DLJ-Donaldson, Lufkin & Jenrette; DICK-R.G. Dickinson & Co.; DW-Dean Witter; EFH-E.F. Hutton; ETC-Other firms not named; GS-Goldman Sachs; LEGG-Legg Mason; LT-Ladenburg, Thalman & Co.; ML-Merrill, Lynch, Pierce Fenner & Smith and Merrill Lynch Capital Markets; NEL-NEL Equity Services; PB-Prudential Bache; PW-Paine Webber; ROBT-Robertson, Colman & Stephens; ROTAN-Rotan Mosle; SAL-Salomon Bros.; SB-Smith, Barney; SLB-Shearson Lehman Bros.; SUT-Sutro & Co.; VMS-VMS Securities; WHT-Wheat, First Securities.

broad market has vaulted to new highs. The stall has brought out a lot of bearish media comment (see RSR, Nov. 22) and tended to obscure a big growth in institutional ownership in realty stocks -- meaning individual are sellers.

What caught our eye was the report in last week's Barron's that **Rockefeller Center Properties Inc.** was the 17th most heavily bought stock by institutions during the third quarter. No other realty stock has ever made the list of top 50 institutional net buys, in our recollection. Institutions bought \$138 mil. of RCP shares on its Sept. offering and held 19.6% of RCP at quarter-end.

Now this isn't the millenium but RCP's appearance in the quarterly tallies is causing more institutions to take notice of realty stocks. How much becomes clear from a tally of the change in institutional holdings in some widely held REIT and realty stocks over the past year, with numbers from the S&P Stock Guide:

INCREASES IN INSTITUTIONAL HOLDINGS

---Institutional Owners---

Stock	No.	% Owned	Chng. in Yr.
BankAmer. Rl...36		51.4%	+ 6.4%
EQK Realty.....31		50.4	New
Federal Rlty...31		27.7	+11.9
First Union RE.58		35.9	+ 7.5
Hotel Invest...26		48.0	+19.0
Hubbard RE.....36		22.8	+11.7
ICM Prop.Inv...16		29.6	New
L&N Housing....15		25.2	+ 2.5
Lom.&Net. Fin.106		70.2	+ 9.1
Lom.&Net. Mtg..48		26.6	+ 8.4
Rock.Ctr.Prop..49		19.6	New
Santa Anita....23		13.7	+ 5.9

DECREASES IN INSTITUTIONAL HOLDINGS

Americana Hot..18	23.3%	- 5.9%
Koger Co.....37	20.9	- 5.7
Koger Props....31	23.2	- 8.9
Prop. Capital..24	50.1	- 5.3
Rouse Co.....72	34.6	- 1.0

The decreases may only reflect institutional profit taking in their really big winners to buy into the massive Rockefeller offer. Overall increases are impressive, with major new institutional buys in **EQK Realty** and **ICM**

Property in addition to RCP. And the S&P data do not yet include holdings in late 1985 offerings (12/6/85)

MARKET STRATEGY: WE SEE MUCH LOWER RATES SPURRING REALTY STOCKS IN THE NEW YEAR

We're in a bull market -- for interest rates, and don't forget it. Right now you wouldn't know it by looking at the prices of most realty stocks. But we see a major buying opportunity shaping up -- in the next couple of weeks and certainly into 1986. Here are the major reasons for our optimism for 1986.

1. The momentum in interest rate declines continues and even economist Henry Kaufman has joined the stampede (which may be a negative). On April 13, 1984, we began counseling an investment strategy based on lower rates and repeated this advice in July-August '84.

2. Realty stocks have lagged and should catch up in 1986. To date realty stock prices haven't reflected this tremendous rate change, and the yield spread between property (equity) REITs and the Dow-Jones Utilities has narrowed dramatically, as this yield table shows:

	D-J Util.	Eq.REITs	Spread
Apr.13,'84...10.5%		7.3%	3.2%
Dec.31,'84... 9.3		7.6	2.7
Dec.17,'85... 8.1		8.5	-0.4

This table makes sense only if the realty stocks (and particularly the REITs as the biggest dividend payers) are headed for a reprise of the mid-1970s disaster. Frankly we doubt it.

--Today leverage is 1-to-1 (i.e., \$1 debt for \$1 of equity) and most debt is fixed-rate secured mortgages. A decade ago the REIT industry was leveraged 2.5-to-1 and most debt was short-term floating rate bank loans.

--Today the bulk of holdings are either ownership or participating interests in specified and generally completed income properties; a decade ago most assets were construction loans.

--Today REITs are very liquid, and New Plan Realty may hold a record by sitting on \$100 mil. cash ready to invest in properties. The tables have turned. (12/20/85)

Beverly Investment Properties, Inc. was offering, at press time Dec. 19, 5 mil. shs. at \$19. Shs. began trading on the NYSE under BIP symbol.

Sponsor: Beverly Enterprises is largest U.S. operator of skilled and intermediate health care facilities with 106,193 licensed beds in 935 facilities. Wholly owned Beverly Advisors Ltd. will advise BIP. Beverly will buy an additional 263,000 shs. or 5% and unconditionally guarantee lease payments.

Assets: BIP plans to acquire 40 health care facilities with 4,970 beds for appraised value of approx. \$123.3 mil. (or \$24,800/bed); Beverly will either repay or defease \$26.4 mil. of existing mortgages. BIP will then lease the facilities back to Beverly under net leases giving BIP initial 12.3% to 12.8% yields plus additional rent keyed to rises in the consumer price index after 1986. Dividend is expected to be about \$2.05 in 1986 or 10.8% on offer price; about 25% will be tax-sheltered return of capital. Nursing homes acquired are 93% occupied and 70% are government-paid patients. (12/20/85)

Address & Officers

837 S. Fair Oaks Ave.

Pasadena, Cal. 91105-2623

(818) 577-6111

Chrm.: David R. Banks

Pres.: Sam A. Brooks Jr.

VP & Chief Fin.Off.: Wm. M. Wright

VP & Treas.: David A. Davidson

Centennial Real Estate Investment Trust came public Dec. 20, 1985 by offering 1,686,500 shs. at \$10. The shares trade OTC under NASDAQ symbol CNTRS. CNTRS originally sought to offer 3.3 mil. shs. and the shortfall from original expectations is being partially made up by sale of 50,000 additional shares to the adviser and concurrent sale of \$3.0 mil. zero coupon secured notes to institutional investors; the notes accrete to \$10.085 mil. on maturity Jan. 1, 1996 to yield 12.89%. CNTRS is a self-liquidating finite life trust terminating in 12 years.

Assets: CNTRS has contracted to buy three shopping centers with 284,750 net rentable sq. ft. and has an option to acquire a to-be-built center (Valley

Fair II) of 17,400 sq. ft. adjoining one of the three initial centers. All are being bought from the adviser or affiliates. The three centers are being bought for \$17 mil. maximum price, or \$59.70/SF. The four properties would use all CNTRS' net proceeds. The properties are appraised independently at \$17.15 mil. value, predicated upon stabilized occupancy expected to occur not later than Dec. 1986. Initial investments are: Walgreen Plaza, Moline, Ill., 18,800 SF, 74.5% leased; Valley Fair Shopping Center I, Davenport, Iowa, 106,275 SF, 61.6% leased; Montwood Mall, El Paso, Tex., 159,677 SF, 78.7% leased. CNTRS will not take title until each center is 90% leased but will lend to the developers before then.

If rents and expenses grow at 5%, CNTRS projects distributable cash of \$1.13/sh. in 1986 and 1987, growing thereafter to \$1.39/sh. in 1995; about 25% would be tax free capital return in 1986 (mainly accretion of note discount), this percentage growing to 41% in 1987 and to 61% over 10 years. Sale proceeds in 1995 are estimated at \$9.43/sh. (representing an 11% capitalization rate on 1995 income) to \$12.53/sh. (at 9% cap rate). Internal return is estimated at 12.2% to 13.9%.

Sponsor: CNTRS is sponsored and advised by Centennial Properties Ltd., 50% owned by Central Life Assurance Co., a \$1.2 bil.-asset mutual life insurance company based in Des Moines; and 50% by realty operatives James W. Sodemann, Bernard and Ira Weindruch, and Mel Foster Co. The adviser bought 50,000 sh. (2.9%) at the offer price. The adviser will receive an incentive management fee of 5% of cash flow distributions, subordinated to shareholders receiving 11% return on average invested capital. (1/24/86)

Address & Officers

Northwest Bank Bldg.,

101 West Second St.-Suite 304

Davenport, Iowa 52801

(319) 322-4856

Pres.: James W. Sodemann

Sec. & Treas.: Ira Weindruch

Consolidated Capital Income Opportunity Trust closed its best efforts offering Feb. 28 with over \$200 mil.

raised. Shares trade on NASDAQ under CCOTS symbol. CCOTS is the fourth REIT sponsored by the Consolidated Capital Companies of Emeryville, Cal., originally realty syndicators who have raised most recent funds thru REITs. The four REITs have total capital over \$850 mil., biggest single pool of REIT assets under one manager. More is on the way as ConCap has registered CCIOT/2 for sale of \$200 to \$400 mil. in shares. CCOTS is an aggressive mortgage lender whose lending policies parallel those of ConCap Income Trust and ConCap Special Trust. All lend aggressively on completed, income producing properties, and management is willing to take some risks to produce above-average yield for investors. This means they are expected to have higher default and foreclosure rates than bank or insurance company lenders. But because they lend only on completed buildings, the older trusts have a good record in reselling foreclosures promptly. Expect high yield from CCOTS for now. (3/22/85) Update: Two trusts also managed by Consolidated Capital encountered serious problem loans in August 1985 and CCOTS shares fell sharply in response. CCOTS has become a hybrid trust with about 49% of \$260.5 mil. assets at Sept. 30, 1985 in mortgage loans, 24% in new construction or renovation joint ventures, and 26% committed or cash reserves. Net investment in nonearning loans was 8.3% of total mortgages. Joint ventures included five apartment projects and three commercial properties; four are operational, two just completed and beginning leasing, two in construction.

Address & Officers

2000 Powell St.
Emeryville, Cal. 94608
(415) 652-7171
Pres.: Douglas M. Kelly
EVP: Terry E. Sheldon
SVP & Treas.: Betty Hood-Gibson

Copley Properties, Inc. is a new combination trust sponsored by a subsidiary of New England Mutual Life Insurance Co. It came public July 19 by offering 4 mil. shs. at \$20; shares listed on the ASE under COP symbol. COP will invest about \$70 mil. (or 95% of net proceeds) in equity or mortgage

interests in four properties. About \$54 mil. (77%) will be invested in mortgage loans (generally at 12-12.5%) on three to-be-built properties where COP will acquire 50%-60% equity interests by funding essentially all land and improvement costs, thus buying at wholesale instead of fair market value. All are developed by developers with which COP's adviser has substantial experience. COP will either set up joint ventures or options giving it 50%-60% interests. Properties are: University Business Center, Santa Barbara, Cal., two-phase 274,000 sq. ft. office and research/development (R&D), with no leases; The Woods at Patuxent, Columbia, Md., 238,150 SF office/R&D, with 90,000 SF offices leased; Los Angeles Corporate Bldg., 78,000 SF office/R&D, unleased. COP will also invest \$16.2 mil. in six existing, office/R&D properties with 874,000 SF; \$9 mil. will be in 12% mortgages and the remainder in 50%-55% joint venture interests carrying 10% preferred returns. The adviser manages about \$4 bil. properties for institutional and individual clients, including parent New England Life. The adviser will get a base fee of 7.5% of net cash flow from non-short-term assets; incentive fee of 5% of net cash flow over \$2/sh. dividends; and holds a Class A share entitled to 10% of net capital gain from property dispositions. (7/26/85) Update: At Sept. 30 COP had closed and begun funding three of four initial investments (all but University Ctr.) and committed \$2.2 mil. to equity in a seven building, 525,000 SF office/warehouse complex in Atlanta. This commits 99% of COP's initial net proceeds.

Address & Officers

535 Boylston St. - 12th Floor
Boston, Mass. 02116
(617) 578-4900
Chrm. & Pres.: Joseph W. O'Connor
EVP & Treas.: Stephen H. Anthony

Countrywide Mortgage Investments, Inc. sold 4.75 mil. shs. at \$10 on Sept. 8, 1985; shares listed on the ASE under CWM symbol. CWM intends to assemble blocks (or pools) of single family residential mortgages, which will be used to support periodic sale or issuance of

collateralized mortgage obligations (CMOs), mortgage-backed pass-through securities, and similar instruments. The trust hopes to profit from the spread between the interest income it receives on the underlying mortgages and the interest it must pay to the securities' holders. Update: On Nov. 29, 1985, CWM sold \$126.7 mil. of CMOs on which management said CWM locked in a 2% net spread.

Sponsor: CWM is sponsored and advised by subsidiaries of Countrywide Credit Industries, Inc., nationwide mortgage banker with over 100 loan origination offices. CCI expects to originate so-called jumbo residential loans (over \$130,000) for sale to CWM. The adviser, Countrywide Asset Management, receives 0.25% of average invested assets plus 25% of the amount by which return on equity exceeds the yield on 10-year Treasury bonds plus 1%. (9/13/85)

Address & Officers

115 North Lake Ave.
Pasadena, Cal. 91109-7137
(818) 304-8400
Chrm.: David S. Loeb
Pres.: Angelo R. Mozilo
EVP & Treas.: Stanford L. Kurland

EQK Realty Investors I is a major equity trust formed Mar. 5 when it sold 10.04 mil. shs. at prices ranging from \$18.30 to \$17.27 sh., the difference being volume discounts to large buyers. Shares listed on the NYSE under the symbol EKR. EKR owns three major properties which are to be held for approx. 14 years, when the trust will liquidate. The three properties were all bought at values as appraised by Landauer Assoc., a national appraisal firm. The three properties are: (1) Peachtree-Dunwoody Pavilion, 674,000 sq. ft. complex of seven multi-tenanted office buildings on 34 acres on Atlanta's north side just south of the perimeter highway; (2) Castleton Commercial Office Park, 942,000 sq. ft. office and 251,000 sq. ft. warehouse park on 128 acres in Indianapolis; and (3) Harrisburg East Mall, two-level enclosed regional mall with 318,000 sq. ft. leasable mall area (\$6.23/SF avg. rent in 1984) and 581,000 sq. ft. leased to three anchor stores (J.C. Penney, Hess's, John Wanamaker) at

\$1.76/SF avg. rent. EKR is managed by EQK Partners, jointly owned by Equitable Life Assurance Society and Kravco Co., a major shopping center developer based in Bala Cynwyd, Pa. The shares are priced in today's market to yield about 7%; the self-liquidating nature of EKR is intended to make sure holders ultimately capture appreciation in the properties. We are listing shares as a hold for now and see them mainly for longer-term gains oriented investors. (3/22/85) Update: In Nov. 1985 EKR announced it would seek shareholder approval at a Feb. 13, 1986 special meeting for a proposed \$45 mil. zero-coupon bond financing. Proceeds would be used to repurchase about 25% of the company's shares in the open market, or to make a special \$4.40 per share cash distribution, or a combination. EKR said repurchasing 25% of its shares would increase projected 1986 dividend from \$1.26 to \$1.68.

Address & Officers

Three Bala Plaza East - Suite 500
Bala Cynwyd, Pa. 19004
(215) 667-2300
Pres.: Myles H. Tanenbaum
VP & Treas.: Phillip E. Stephens

Grubb & Ellis Realty Income Trust is sponsored by the national realty services company whose shares are listed in RSR. GRIT (GRITU for units and GRITW for warrants) intends investing primarily in participating mortgage loans on commercial properties. No specific investments were identified in the offering. On April 12, 1985 GRIT sold 1,250,000 units of two shares of common plus one warrant to buy one additional share at \$9.50, exercisable thru April 10, 1990, at which time warrants convert automatically into one-fifth share. GRIT seeks current income plus long-term capital gains. It will liquidate in approx. 10 years, and distribute all principal repayments received after 1990. Units currently trade at \$20 and common is \$9.25. (4/26/85) Update: At Sept. 30, 1985 GRIT had funded three participating mortgage loans totaling \$16.4 mil. as follows: Baseline Business Park, 100,000 SF new office/industrial complex, Tempe, Ariz., \$5.3 mil.; Moss Creek Apts., 144-DU garden complex, built 1974, Garden Grove, Cal., \$6.3

mil.; and Interface Technology Headquarters, new 84,000 SF office, Glendora, Cal., \$5.75 mil.

Address & Officers

One Montgomery Street
Crocker Center - West Tower
San Francisco, Cal. 94104
(415) 781-4748

Chrm.: Harold A. Ellis Jr.
Pres.: John S. French
Treas., Contr.: Dean Banks

Health Care Property Investors went public May 23 by selling 3.8 mil. shs. at \$20/sh. Shs. listed on the NYSE under HCP symbol and have moved to a premium at 22-5/8. Assets: HCP will use net proceeds to buy a 75% interest in 25 health care facilities from National Medical Enterprises, Inc., the sponsor. Facilities will then be net leased back to NME as operator. The leases provide rent at 13.7% to 15.0% of acquisition price (which is appraised value), plus 5% of increases in gross revenues above a base, generally revenues in the year to May 1986, until gross revenues reach 124% of base or minimum revenues. The formula is expected to produce approx. 11% cash distribution to shareholders on the \$20 offering price. The initial facilities purchased are 22 long-term care facilities with 2,433 beds at \$24,900/bed and located in Calif., Colo., Fla., Mass., Mo., Mont., N.M., N.C., Ore., Wash. and Wisc.; two acute care hospitals with 350 beds at \$111,425/bed; and one psychiatric facility with 81 beds at \$48,150/bed. The \$103.5 mil. initial investment (including \$12.9 mil. mortgages) is 59% long-term care facilities; 38% acute care hospitals; and 3% psychiatric. Finances and management: HCP debt of \$12.9 mil. initially will be 0.16 times equity of \$78.4 mil. or \$18.60/sh. HCP may buy additional properties and issue additional debt or equity securities; its life is not limited. Investments will be held subject to \$22.6 mil. minority interest (or 25%) owned by NME. An NME subsidiary will manage for 0.75% of the first \$200 mil. invested assets and lower percentages above that. It also will receive 20% of cash available for distribution over a 15% return on net equity. NME bought 9.8% of shares on

the offering. Part of distributions is expected to be return of capital. (6/28/85) Update: In the Sept. qtr. HCP bought 120-bed Dallas Rehabilitation Institute for \$18.1 mil. cash.

Address & Officers

3200 Park Center Dr.-Fifth Floor
Costa Mesa, Cal. 92626
(714) 751-0989

Also: NME Properties, Inc.
11620 Wilshire Blvd. - Suite 1038
Los Angeles, Cal. 90025
(213) 479-5526

Chrm.: Maris Andersons
Pres.: Kenneth B. Roath
VP, Fin. Off. & Treas.: James J. Reynolds.

ICM Property Investors Inc. raised \$115 mil. in late Jan. by selling 5.75 mil. shs. at \$20; it immediately listed on the NYSE, where shares have fallen to \$18.38. ICM marks a reprise for Arthur W. Viner and other veteran REIT managers in the sponsor, New York City mortgage banker Investors Central Mgmt., which had sponsored and lost control (in 1983) of ICM Realty (now EastGroup Properties). New ICM will operate as an equity trust seeking preferred returns by combining three roles in new properties: a general partnership in a joint venture owning a property; land purchase/leasebacks giving fixed rent plus 50% of rent increases over a base; and long-term fixed rate mortgages yielding about 11.5%. Drawing on prior experience, sponsors have designed the format to give new ICM (a) property purchases at wholesale cost, and (b) equal control with local partners in a property's operations. Initial investments include 140,000 SF office in Colorado Springs; 160,000 SF office in Westwood, Mass. near Boston; 227,000 SF mixed use complex in Edison, N.J.; 144,000 SF office in San Antonio; and 1,200 space parking garage in Hartford. These five will cost about \$85 mil. or 80% of net proceeds. To induce developers to accept ICM's commitment before the stock was sold, ICM agreed to issue 3,333 warrants to each such developer for each \$1 mil. funded; alternatively, a subsidiary of Siemens AG, West German electrical manufacturer, will receive such warrants if it provides a firm funding commitment to

the developer. The formula could result in 283,300 warrants to buy shs. at \$21.50. Siemens has bought a significant minority interest in ICM's investment management, and the manager and Siemens were prepared to buy 450,000 sh. (7.8%) of the public offering. The manager receives a base fee of 0.5% of net invested assets plus 5% of net income, plus incentives of another 2.5% of income over \$2.00/sh. and another 2.5% of income over \$2.50/sh. There's enough firepower to merit L-T commitments. (2/22/85) Update: Subsequently ICM cancelled plans to acquire the Hartford parking garage; in June funded \$14.865 mil. for the first two buildings (132,260 SF) in the Edison project; agreed to fund \$26.3 mil. in 10-story, 195,000 SF University Tower in Irvine, Cal. and funded \$4.9 mil. participation in the construction loan; and bought 109,000 SF Point West Place in Framingham, Mass. for about \$20 mil. in place of the Westwood (Mass.) office.

Address & Officers

600 Third Ave.

New York, N.Y. 10016

(212) 986-5640

Chrm. & Pres.: Arthur W. Viner

EVP: Willis Andersen Jr.

VP, Treas. & Sec.: Howard Shapiro

Landsing Institutional Properties V is the most actively traded of seven REITs sponsored by Landsing Corp., a Menlo Park, Cal. realty company. Shares trade OTC under LANVS symbol (\$9 bid). LANVS sold 5.68 mil. shs. at \$10 in a best efforts offer closing Feb. 1984. It will operate as a finite life trust and liquidate in about 10-12 years. LANVS holds \$49.8 mil. assets invested 35% in directly owned properties and 65% in convertible mortgage notes held by a Landsing-managed private limited partnership, Landsing Realty Partners. Convertible notes carry interest from 13.6% to 16.0%, not less than half payable in cash and the rest accrued. Notes are due in 1992 and convert into equity in LRP's properties. Dividend is 60¢. (12/6/85)

Landsing Institutional Properties VI closed its best efforts offering in April 1985 after selling 6.72 mil. shs. at \$10. Shs. trade OTC under NASDAQ

symbol LNVIS. Investment policy is similar to that of LANVS and at June 30, 1985 invested assets of \$34.0 mil. were 37% in four directly owned properties and 63% in seven convertible participating loans to an affiliated partnership, Landsing Realty Partners-II.

Address & Officers

800 El Camino Real

Menlo Park, Cal. 94025

(415) 321-7100

Pres.: Gary K. Barr

VP: J. Grayson Saunders

Treas.: R. Mark Wyman

Lincoln N.C. Realty Fund Inc. came public Dec. 13 by offering 1,725,000 units of one sh. and one warrant to buy an additional share at \$15 per unit. Shares, warrants and units trade on the ASE under symbol LRF (LRF.E and LRF.W). The warrants are exercisable at \$13.50 thru Dec. 31, 1990.

Sponsor: LRF is sponsored by Lincoln Property Co. N.C., a group of approx. 800 general and limited partnerships, joint ventures and corporations that develop, own and manage properties in the western U.S., and which in turn is part of 1,400 such entities collectively known as Lincoln Property Co. With this offering, Lincoln Property Co. joins Trammell Crow Co. in making their initial public offerings after years as two of the nation's largest private real estate networks. Lincoln N.C. (the Western segment) has built 35,000 apartments and 18 mil. sq. ft. of commercial, industrial and office space costing over \$2 bil. since 1968. LRF will be advised by a new company, Lincoln N.C. Realty Advisers, Inc., owned by two principals of Lincoln N.C., Stephen P. Jarchow and Steven P. Tetrick, president and treasurer of LRF respectively.

Assets and financing: LRP will acquire three properties all under construction: Lincoln Wrigley Creek, Milpitas, Cal., near San Jose, 258,750 sq.ft. distribution warehouse and R&D/manufacturing building, for \$15 mil. total or \$58/SF; Lincoln Rancho Bernardo, 248-DU apartment in northern San Diego for \$19.25 mil. or \$77,620/DU; and Lincoln Denver Business Ctr. I & II, 331,100 SF in two distribution/warehouse buildings,

for \$8.755 mil. or \$26.44/SF. The Denver buildings are about 65% pre-leased; the Milpitas building 6% leased. Purchase price is about 85% of appraised value. LRF will invest \$22.2 mil., borrow \$12 mil., and buy the Milpitas property subject to \$9 mil. in debt. (12/20/85)

Address & Officers

21600 Oxnard St. - Suite 500
Woodland Hills, Cal. 91367
(818) 704-1598

Also: 101 Lincoln Center Dr.
Foster City, Cal. 94404
(415) 571-2250

Chrm.: Edward D. O'Brien
Pres.: Stephen P. Jarchow
Treas.: Steven P. Tetrick

Lomas Mortgage Corp. came public Sept. 6, 1985 by selling 5.5 mil. shs. at \$20 to raise \$110 mil. Shares listed on the NYSE under LMC symbol. Like others (see Countrywide Mortgage and Strategic Mortgage), LMC intends to assemble blocks (or pools) of single family residential mortgages which will be used to support periodic sale or issuance of collateralized mortgage obligations (CMOs), mortgage-backed pass-through securities, and similar instruments. The trust hopes to profit from spread between interest received on its underlying assets and the interest it pays to institutional purchasers of the mortgage-backed securities.

Sponsor: Lomas & Nettleton Financial Corp., nation's largest mortgage banker which services over \$20 bil. mortgages for institutions and operates nearly 200 loan origination offices. The adviser receives a basic management fee 0.375% of average invested assets, plus incentive fee of 12.5% and an additional 12.5% of annualized return on shareholders' equity exceeding the ten-year Treasury rate plus 0.6% and 1.0% respectively. (9/13/85)

Address & Officers

2001 Bryan Tower
Dallas, Tex. 75201
(214) 746-7111

Chrm.: Jess Hay
Pres.: Ted Enloe
EVP-Fin.: John F. Sexton
Adviser: Lomas Mortgage Managers, Inc.
Pres.: James M. Wooten

Meditrust came public Oct. 9 by selling 1.75 mil. shares at \$20 per share. Shares trade OTC under the MTRUS symbol. MTRUS closely resembles Health Care Properties (RSR, June 28) because it will net lease properties from its sponsor, Newton, Mass.-based Mediplex Group, Inc., with base rents to provide holders 11.3% yield on initial offering price (i.e., \$2.26/sh. in the first year). Mediplex will pay supplemental rent needed to achieve this yield plus debt service on \$14 mil. debt being assumed. Leases also provide MTRUS with 5% of gross revenues over \$24 mil., approximately the first year's estimated revenues. Meditrust will own six long-term care facilities with 980 beds located in Mass. and Conn. Each provides intermediate nursing care and rehabilitative services. MTRUS will acquire them for appraised value of \$34 mil., or about \$34,695 per bed. Mediplex had a \$13.8 mil. cost basis in the properties. MTRUS may acquire additional facilities either from Mediplex or other operators.

Sponsor: Mediplex, the sponsor, earned \$5.6 mil. on \$54.5 mil. revenues in 1984; and \$4.3 mil. on \$32.7 mil. in the six months thru June 1985. Mediplex will acquire approx. 4.9% of MTRUS shares. Mediplex recently acquired Retirement Centers of America to expand into life care retirement centers. A Mediplex subsidiary will manage MTRUS for 0.5% of aggregate gross invested assets plus incentive fee of 20% of distributable cash over a 15% return on equity. (10/25/85)

Address & Officers

2101 Washington St.
Newton, Mass. 02162
(617) 969-0480

Chrm. & Pres.: Abraham D. Gosman
Treas.: Abraham D. Gosman
VP-Budget & Fin.: Joel Dubrow

Mellon Participating Mortgage Trust is added to Group 3-Mortgage following sale of 8.6 mil. shs. at \$10 Feb. 13. Sponsored by a subsidiary of the major Pittsburgh bank, MPMTS is managed by Robert L. Kinney and James T. Foran, two former key executives of Merrill Lynch, Hubbard, Inc. MPMTS will put about 60% of \$79 mil. net proceeds into first mortgages with equity enhancements

(participations, conversion or similar rights) and the rest in land purchase/leasebacks, wraparound mortgages, and accrual loans (i.e., loans in which part of base interest is accrued and due at maturity). MPMTS expects to make loans maturing or saleable in approx. 10 years, so the trust will be self-liquidating at approx. that time. No additional shares will be issued. Shs. trade OTC. (2/22/85)

Update: Thru early Oct. MPMTS had committed \$23.475 mil. (about 29% of proceeds) to three mortgage loans: (1) \$14.25 mil. at 15.4% standing for five yrs., lower the next five, on a 210,000 SF Hawthorne, Cal. office leased to an aerospace company; (2) \$4.5 mil. participating/convertible loan at 11% initially on a 75,400 SF Atlanta, Ga. office/warehouse; (3) and \$4.7 mil. participating loan at 10.25% initially on a 51,900 SF office in Eden Prairie, Minn.

Address & Officers

551 Fifth Ave.

New York, N.Y. 10022

(212) 702-4040

Chrm.: Robert L. Kinney

Pres.: James T. Foran

VP, Sec. & Treas.: Elmer G. Oniffrey

Mortgage Investments Plus, Inc. made its initial offer June 28 by selling 8 mil. shs. at \$10; shares trade on the ASE with MIP symbol. MIP is sponsored and managed by Weyerhaeuser Mtg. Co., an indirect wholly owned subsidiary of the forest products giant. MIP will invest in mortgage loans with equity enhancements, including debt/equity transactions and participating mortgages; all initial investments will be acquired from the adviser. In debt/equity transactions, MIP will finance 100% of budgeted costs by combining three-year construction loans at prime rate plus 1%-1.5% for about 85% of cost (totaling \$59.4 mil. on five initial properties) with equity investments (of \$9.4 mil.) giving MIP 45%-50% limited partnership interests. Properties are projected to have \$85.75 mil. stabilized value on achievement of stabilized occupancy, so MIP will have bought at about 80% of value. Debt/equity properties are: Miramar Park, San Diego, 120,000 SF office/R&D; San Diego Corporate Ctr.,

98,000 SF office/R&D; Shorebreeze, Redwood City, two-phase 116,330 SF offices; Folsom Medical Bldg., Sacramento, 81,000 SF; Discovery Plaza, Bakersfield, 110,700 SF office. In addition MIP will make a \$6.5 mil. participating mortgage on Harbor Point, Los Angeles, 152,000 SF industrial/office; the loan yields 11.5% plus 6.7% of base year gross revenues. The adviser is a major mortgage banker servicing \$9 bil. mortgages; it has 53 mortgage origination offices in 12 states. It will receive a 1% origination fee; 0.75% management fee; incentive fee of 5% of net income over 12% return on average net worth; 0.25% servicing fee on mortgages; and 15% asset disposition fee on sale, financing or refinancing of investments (7/26/85)

Address & Officers

5955 DeSoto Ave. - Suite 140

Woodland Hills, Cal. 91367

(818) 715-0311

Chrm.: John W. Creighton Jr.

Pres.: Lawrence W. Farmer

SVP & Chief Fin.Off.: Thomas Grainger

Nooney Realty Trust completed on Sept. 25 a best efforts offering of 867,000 shs. at \$20 to raise \$17.3 mil. Shares trade in the OTC market under NASDAQ symbol NRTI.

Sponsor: St. Louis-based Nooney Co. is a diversified real estate management company which manages 9 mil. SF of commercial, industrial, and residential properties valued at \$425 mil. Nooney owns and occasionally develops properties. Nooney Advisors Ltd., a limited partnership whose general partners are all Nooney Co. affiliates, will advise the Trust. Nooney Co. has sponsored 11 limited partnerships which have raised \$76.3 mil. since 1972.

Assets: NRTI bought the 89,660 SF Atrium office in the Alpha Business Ctr., Bloomington, MN in March for \$7.425 mil. (or \$82.80/SF). The building was 94% occupied when bought but occupancy has since slipped to 88%. The building has no debt but NRTI can borrow up to 30% of purchase price. NRTI intends seeking to buy other income producing properties, mainly offices, shopping centers, office/warehouse and light industrial. NRTI intends holding properties for 8-12 years and distribute

any sale or refinancing proceeds received more than five years after the offering, so as to be self-liquidating. (12/20/85) Update: In Jan. 1986 NRTI bought the 70,000 SF Applied Communications Bldg. in Omaha, Neb. for \$6 mil.

Address & Officers

7701 Forsyth Blvd.

St. Louis, Mo. 63105

(314) 863-7700

Chrm.: Gregory J. Nooney Jr.

Pres.: John J. Nooney

SVP, Sec. & Treas.: James J. O'Connor

III

Prudential Realty Trust sold 11,115,000 units Aug. 22 at \$10 to raise \$111.35 mil. gross. PRT is the first REIT in many years to split income and appreciation benefits of its underlying properties. Hence units contained one income share entitled to receive all distributable cash from operations plus \$8 stated value upon liquidation; and one capital share entitled to all other distributions, including capital gains. Both classes and the units listed on the NYSE under PRT symbol. The income shares are treated as preferred shares by the NYSE and in our statistical analysis; the capital shares are treated as common shares and net book value is about \$1.17/sh. by Audit's analysis (the full 75¢ underwriting commission becomes a deduction to these shares). We are adding PRT to Group 1 - Property trusts, with a Finite life designation indicating intent to liquidate within approx. 12 years.

Assets: PRT is buying three completed and occupied properties from its sponsor, Prudential Insurance Co., at appraised value, as follows:

Huntington Business Campus, Melville, N.Y. on Long Island: two multi-tenanted single story offices with 152,800 net rentable sq. ft. at a price of \$18.5 mil. or \$121 per SF. Space is fully leased at \$11.77/SF average and 60% of leases expire thru 1989.

Maple Plaza I and II, Parsippany, N.J.; : two single-tenanted, three story offices with 293,092 net rentable SF, on adjacent 10 ac. sites in the 400 ac. Prudential Business Campus, bought for \$45.9 mil. or \$156.60/SF. AT&T Information Systems occupies one 148,000 gross

SF building at \$16.73/SF with two 5-yr. renewals at higher rents after 1/1/89; and Nabisco leases a similar sized building at \$14.10/SF for 10 yrs.

Park 100, Indianapolis: complex of 19 one-story industrial warehouses on 97 ac. with 1,357,000 net rentable SF, bought for \$35 mil. or \$25.79/SF. Space is 93.5% leased at \$2.86/SF average, with 75% expiring thru 1987.

Properties are acquired free of mortgage debt, altho PRT may borrow up to \$25 mil. for property expansion.

Projections: PRT gives investors its best estimate forecast of results thru 1995 based on a 6% inflation estimate. Alternatives at 3% and 9% inflation are shown. Units would have 10.7% to 11.4% internal rate of return under the 6% forecast. Projected cash distributions should work out to about 75¢ per income share in 1986, rising to \$1 in 1994 and \$1.19 in 1995. (9/13/85)

Address & Officers

Prudential Plaza

Newark, N.J. 07101

(201) 877-7537

Pres.: Brian J. Strum

Treas: Joseph M. Selzer

Adviser: Prudential Realty Advisors, Inc. Chrm.: Donald R. Knab

Rainier Realty Investors made its initial public offering of 3 mil. shares at \$10 April 15. Shares trades under the RRETS symbol on NASDAQ. RRETS is sponsored by Rainier Bancorporation, with \$7.8 bil. assets and owner of the second largest bank in Pacific Northwest. Its Rainier Financial Services Co., parent of the adviser, originated \$250 mil. of permanent and construction financing last year, and manages or advises \$36 mil. assets. RRETS intends investing in participating mortgages and land purchase/leasebacks located primarily in the Northwest. It intends liquidating within 15 years and plans holding investments 12 years. It will not issue any additional shares and will not borrow except in limited circumstances. Shares trade at 10. (4/26/85) Update: At June 30, 1985, latest reported, substantially all funds were in GNMA mortgage pools earning 12%. RRETS expects dividends to decline during 1986 as investments are funded.

Address & Officers

1110 Second Ave.

Seattle, Wash. 98111

(206) 621-5330

Chrm.: Dwight J. Drake

V. Chrm.: John M. Teutsch Jr.

Chief Fin. Off.: Frederick S. Adamson

Pres. of adviser: Steve C. Edwards

Realty South Investors, a newly organized REIT to make equity participation mortgages, went public May 1 by selling 1.1 mil. units at \$20; each unit has one share and a warrant for an additional share at \$17.75. Units trade on the ASE under RSI. It is sponsored by O'Neill Developments Inc. of Atlanta. (5/24/85) Update: As of Dec. 31, 1985 RSI has funded \$12.0 mil. in nine mortgage loans. Two loans totaling \$2.625 mil. are non-participating and yield 12.0%-12.5% and are secured by shopping centers in Atlanta and Memphis. The other seven totaling \$9.7 mil. are all five-year interest-only participating mortgages. Five loans (\$7.275 mil.) give RSI 50% participation in rent increases and sale or refinancing proceeds in five years; four are secured by four shopping centers with 63,560 SF, all but one in the Atlanta area, the fifth by an office park. The remaining two loans are secured by Winn-Dixie stores totaling 70,000 SF and give RSI 75% participation in sales increases and property sales. RSI has committed an additional \$9 mil. loans, and will sell additional shares to raise funds for more loans if market conditions permit. The adviser receives a fee of 10% of all cash income for distribution, except that first year fees are subordinated to shareholders receiving \$2.13/sh. annual rate distribution. This fee deferral amounted to 11¢ of the \$1.07 EPS for the approx. six mon. thru Oct. 31. RSI may not lend to or deal with the sponsor.

Address & Officers

1827 Powers Ferry Rd. - Bldg. 7

Marietta, Ga. 30067

(404) 952-0524

Chrm.: Timothy J. O'Neill

V. Chrm., Sec. & Tres.: Malcolm C. Garland

Pres.: Alfred P. Chambliss III

Resources Pension Shares 3 is the third participating mortgage REIT sponsored by Integrated Resources, Inc., the New York financial services company (RSR 6/14/85; RSR 8/24/84 for previous REITs). RPS-3 closed its initial best efforts offering April 15 with over \$86 mil. of shares sold at \$10/sh., adjusted for a 2-for-1 split. In April and May it invested \$17.6 mil. in two 15-year participating wraparound mortgages subject to \$32.7 mil. existing financing. Loans are secured by interests in 1,011,500 SF Palm Springs Mile Shopping Ctr. and 243,260 SF Sunshine Plaza Shopping Ctr. in Tamarac, Fla. In May two participating first mortgages totaling \$16 mil. were made on two New York City offices, at 37 W. 57th St. and 240 W. 35th. The Florida loans carry current cash interest from 10% to 14%, plus percentages of gross income and contingent interest based on a percentage of final net value of property. The NYC loans carry varying interest from 10% to 18%, plus accruing (non-cash) interest of 2.5% in first 4 years and 1.5% in years 5-15. The Advisor, Resources Pension Advisory Corp., gets 1.5% of average assets as management fee, 0.25% mortgage servicing fee, and 4% of outstanding shares as organization compensation. It will liquidate in 12-15 years. (7/26/85)

Address & Officers

666 Third Avenue - 9th Fl.

New York, N.Y. 10017

(212) 551-6000

Pres.: Herbert Liechtung

Chief Fin. Off.: Edward Frankel

Rockefeller Center Properties, Inc made its initial public offering Sept. 12 by selling 37.5 mil. shs. at \$20, plus issues of market-rate convertibles and zero-coupon bonds with gross proceeds of \$550 mil, for total offering of \$1.2 bil. Demand for the shares was so strong that Rockefeller interests agreed to sell 70% of the landmark New York City property to the public, vs. the 60% initially proposed. The shares listed on the NYSE under RCP symbol. (9/13/85)

Pre-offering analysis: Not since Chase Manhattan Corp. sponsored a REIT nearly 15 years ago has a new REIT offering captured so much market attention

as the planned \$1.1 bil. offer of Rockefeller Center Properties, Inc. Now bigness is a questionable virtue in some real estate deals. But beyond bigness, the proposal calls for examining two visceral questions surrounding REIThood: Should public investors own real estate? and Is the public a buyer of last resort?

The proposed offer: RCPI plans offering \$600 mil. of common shares (30 mil. shs. at \$20) inside the U.S., which will be leveraged by \$500 mil. of debt, including \$335 mil. current-coupon convertible debt and \$165 mil. net amount of zero-coupon convertibles, both to be sold outside the U.S. the zeros will be sold at about 22.6% of par. Both debentures will be convertible only during the 15th year, or the year 2000; if both issues fully convert, they would own a combined 67.4% of RCPI -- in 15 years.

RCPI will use proceeds to fund a \$1.1 bil. participating mortgage loan to two partnerships owning Rockefeller Center; the loan is convertible into 60% ownership of the Center in 2000. Loan interest is 7.34% initially rising to 8.43%; base interest will exceed net cash flow from the property in seven years before 1995 by \$148 mil. total. The borrower is putting up a \$300 mil. standby letter of credit to support this negative cash flow. The loan carries additional interest on Center revenues over \$325 mil., not expected before 1995, after low-rent leases, mainly to NBC, on 47% of space expire in 1994 and presumably roll to market rents.

In 1986 the common will get an estimated \$1.75 payout, or 8.75%, from funds available for distribution; about 26% (41¢) may be tax-sheltered amortization of discount on the zeros. What happens in the subsequent 14 years depends upon an investor's view of future inflation, and the prospectus gives investors future dividend estimates based upon three views of inflation -- 4%, 6%, and 8%. By making formal operating projections for varying inflation assumptions, this offer thus resembles the EQK Realty offering (RSR, Mar. 22).

These projections assume that distributions in some early years will be supported by the letter of credit, and that distributions in 1995 and beyond

(estimated at \$3.75/sh. in 1995 rising to \$5.11 in 2000) will be bolstered by additional or kicker interest after low-rent leases are upgraded to market. This means about 80% of estimated stock values derive from dividends and 20% from residuals.

Analysis of two criticisms:

Criticism 1: The 6% inflation assumption (around which most projections revolve) is aggressive. We've long observed that leveraged real estate tends to outperform inflation whatever inflation happens to be. Put another way, it's not necessary to make a correct inflation assumption to come out ahead in a real estate investment.

Applied to Manhattan real estate, our experience is that office rents have inflated at about 9% compounded over the past 15 years -- including a downturn of about 8%-10% the past three years. Midtown Manhattan office vacancy of 5.3% now is the lowest among all major cities and compares to vacancies running to 20% or more in some Sunbelt cities. Vacant space is about a two-year supply now, vs. much higher ratios elsewhere. Rockefeller Center has a 1.6% vacancy rate at \$26.50/SF average rents, or about two-thirds the going \$40 rate.

Criticism 2: The price is rich. Rockefeller Center is appraised at \$1.6 bil. now, or about \$259/SF for the 6.2 mil. net rentable SF. This is below the \$299-\$330/SF prices in three recent major Manhattan office sales (at 245 and 270 Park Ave. and 85 Broad) and below the \$400/SF price of the Crocker Center in San Francisco.

The 60% interest being offered is thus worth about \$960 mil., to which we would add the current value of the letter of credit guarantees and the residuals estimated at \$200-\$230 mil., or total value of about \$1.2 bil.

So back to our original questions: Is the public a buyer of last resort? On price alone, the public appears to be getting equal treatment with major institutional buyers of other landmark properties. Perhaps more to the point, inflation has carried aggregate prices of landmark properties to such heights that only major public vehicles (such as REITs) can raise enough funds to be effective buyers. Should public inves-

tors own real estate? With adequate disclosure of risks, the combination of yield, liquidity and capital gains is hard to beat. (8/9/85)

Update: Subsequent to the offering N.B.C. announced that it was planning to vacate its Rockefeller Center space, but had not selected a new location or a time for vacating the space. Whether N.B.C. would try to sublet the space until 1994 or end its lease early is not known. N.B.C. is part of RCA Corp., which has agreed to merge with General Electric Corp. A shareholder has sued alleging RCP should have known about and disclosed the N.B.C. planned departure.

Address & Officers

1230 Avenue of the Americas
New York, N.Y. 10020
(212) 489-4370

Chrm. & CEO: David Rockefeller
Treas.: Bruce L. Nelson

Administrator: C&W Realty (subsidiary of Cushman & Wakefield)

EVP & Fincl. Serv.: Kevin F. Haggarty

Sierra Real Estate Equity Trust '84 is latest of equity trusts sponsored by the Sierra Capital Cos., San Francisco (RSR, 8/24/84 for previous Sierra REITs). Sierra closed its best efforts offer Feb. 28 with sale of 4.88 mil. shs. at \$10, plus 458,000 wts. to buy shs. at \$9.50 thru 6/30/87. Sierra Capital now manages \$130 mil. assets. Sierra '84 has bought 40 business/industrial park buildings in five parks -- four in Los Angeles area and one in Phoenix -- with 750,000 SF, and approx. 93% occupied. Total cost was \$33.5 mil. including \$16.2 mil. mortgage debt assumed. It also took an option, whose exercise is subject to shareholder approval, to buy up to a 49% interest in 115,000 SF Spokane/Homestead industrial park; Sierra Trust '83 owns the park now and the option is at its cost. Sierra '84 appraised properties at \$567,000 (about 12¢ sh.) over cost at 12/84. The Advisor receives 6% acquisition fee; advisory fee of 10% of funds available for distribution; property management fee not to exceed 5% of gross rentals; and 15% of capital gains on property sales subordinated to 12% cumulative return to shareholders. Sierra '84 will be self-liquidating in 5-8 years. (7/26/85)

Address & Officers

One Maritime Plaza
San Francisco, Cal. 94111
(415) 982-4141

Chrm.: Thomas B. Swartz
Pres.: Robert K. Walker, Jr.
Treas.: Milton K. Reeder

One of the largest and most private real estate developers of them all, Trammell Crow, bowed into public markets with the public offering of 7.88 mil. shs. of **Trammell Crow Real Estate Investors** at \$15/sh. on Nov. 21. Shares trade on the NYSE under TCR symbol. Simultaneously TCR sold \$156.3 mil. of zero coupon notes for \$35.7 mil. (22.8% of par) to yield 13.1% compounded annually. TCR will use the \$159.7 mil. proceeds to buy 13 industrial properties with 2.95 mil. sq. ft. for about \$42.32/SF, and a Denver enclosed specialty retail mall with 191,900 SF for about \$177/SF. Acquisition prices work out to about 97% of appraised value. All buildings are complete and industrial properties 90.9% occupied, the shopping center 98.5% occupied. Industrial properties are located in Baltimore, Charlotte, Dallas, Houston, and Los Angeles. Trammell Crow organization, the sponsor, is a network of 1,600 general partnerships and joint ventures which together own or manage 170 mil. SF of property valued at \$7 bil. Until now Trammell Crow has depended upon private sources for financing. TCR shares are expected to yield \$1.395 in 1986 (9.7% at market of \$14.38), of which about 69% is estimated to be taxfree capital return. (12/6/85)

Address & Officers

3500 LTV Center
2001 Ross Ave.
Dallas, Tex. 75201
(214) 979-5100

Chrm.: W.H. Bricker
Advisor: Trammell Crow Ventures, Inc.
Pres.: David Clossey
Treas.: Joel C. Peterson

Travelers Realty Income Investors sold 2.25 mil. shares at \$20 in its initial offering March 21. Shares trade at \$18 currently, or 10% off the offer, under the TRIIS symbol on NASDAQ. TRIIS is the second REIT to be sponsored by a

subsidiary of Keystone Custodian Funds, a unit of Travelers Corp. TRIIS intends investing its \$45 mil. gross proceeds in mortgage loans with equity enhancements such as a portion of income from a property above a base, or a share of value appreciation. It may also invest in land purchase/leasebacks and buy unleveraged property. It does not intend to borrow. A dividend reinvestment plan is offered (reinvested funds will buy shares in the market) and sales were aimed at IRA and Keogh Plans. TRIIS intends making investments with 10 years average life, and will distribute substantially all repayments after 1990. No additional shares will be issued. (4/26/85) Update: TRIIS thru Sept. 30 committed \$34.5 mil. (or 83% of net proceeds) to these participating mortgages: (1) \$7.5 mil. to 156-rm. Ramada Inn in Slidell, La.; (2) \$6.6 mil. on 240-DU luxury apartments being built in Lexington, Ky.; (3) \$11.7 mil. on 115,400 SF Atlanta shopping center; and (4) \$8.8 mil. on 482-rm. Marriott Hotel in Pittsburgh. Initial yield is 10.38% to 10.75%.

Address & Officers

99 High St.

Boston, Mass. 02110

(617) 338-3460

Chrm.: George S. Bissell

Pres.: Edward F. Godfrey

Treas.: Ralph J. Spuehler Jr.

Turner Equity Investors, Inc. is a new equity trust sponsored by Turner Corp., national general contractor, and its subsidiary Turner Development Corp. (TDC). It sold 4.8 mil. shs. at \$10 July 10 and trades on the ASE with TEQ symbol. TDC also bought 246,500 shs. or 4.9%. TEQ will use \$44 to \$46.2 mil. of net proceeds (or approx. all net proceeds) to buy ownership interests in four office buildings developed by TDC, with 465,700 net rentable SF at prices to average from \$113.50 to \$119.20/SF. The four: 555 Briarwood, Ann Arbor, MI, 76,500 SF, completed June 1985 but not leased at \$14.30/SF scheduled rent; 265 Davidson, Franklin Twp., Somerset Co., NJ, 178,000 SF, completed June but no tenants at \$17.77 scheduled rents; Crossings I, Tampa, 82,000 SF, completion expected Dec. '85, 50% leased at \$12.80,

rest offered at \$16.00/SF; Crossing II, 40,000 SF, completion Dec. '85, leased to TDC at \$16.25/SF; Gatewood Plaza, Fairfax, VA, 89,100 SF, completion Dec. '85, no leases at \$20.30/SF scheduled rents. Purchase prices assume 95% occupancy and a 10% to 10.5% yield to TEQ. The adviser will receive 0.75% of net book value as fee (initially earned only when cash exceeds 8% return on offer price), and performance fees beginning when income exceeds 10% of offer price (i.e., \$1/sh.); and 10% of net capital gains. (7/26/85) Update: TEQ dividends are expected to be substantially tax-free return of capital during a 2-yr. guarantee period from TDC. TEQ's buildings were bought without leasing and the purchase price will be adjusted downward to reflect the effect of unleased space, if any.

Address & Officers

10014 N. Dale Mabry Hwy.

Tampa, Fla. 33618

(813) 961-8237

Chrm.: Herbert D. Conant

Pres.: John P. Arthur

SVP & Treas.: Kenneth H. Wanderer

Advisor: Turner Realty Advisors, Inc.

Pres.: John P. Arthur

VMS Hotel Investment Trust came public by selling 9.86 mil. shs. and 4.93 mil. wts. in a best efforts underwriting closing in Jan. 1986. The offering came at \$20 for units of two shares and one warrant to buy an additional share at \$9.50 thru Jan. 1991. Unexercised warrants convert into 1/10 share on the expiration date. The shares and warrants listed on the ASE under symbol VHT and VHT.WS. VHT will be self-liquidating and terminate in 15 years.

Assets: VHT did not specify initial investments but will invest in wrap-around and junior mortgage loans, both generally subordinated to existing first mortgage debt. Loans will be made on existing hotel and resort properties owned by affiliates of the sponsor. Most loans will have 7-yr. terms but repayment is expected in five years, so funds will be turned three times during VHT's life. Loans will be interest-only with a minimum 10% current cash payment and base rate equal to Treasury bond rates for similar maturities, plus addi-

tional interest of 30% to 40% of appreciation in underlying properties. Initial commitments were \$50 mil. to a partnership that recently bought 26 Holiday Inns from Equitable Life; and \$10 mil. to Plaza of the Americas, Dallas.

Sponsor: VHT is sponsored by VMS Realty Partners, Chicago based major realty syndicator that has raised over \$1 bil. in funds over the past four years and which also sponsors another REIT, VMS Short-Term Trust. VMS has bought over \$840 mil. hotel properties in recent years, including Boca Raton Hotel. Advisor VMS Realty, Inc. will receive 0.75% annual management fee, 0.125% mortgage servicing, plus 5% of net liquidation proceeds after shareholders have received their initial contribution plus 15% cumulative non-compounded return on adjusted contributions.

VMS Short Term Income Trust is a new REIT which sold 6.67 mil. shs. at \$10 in a partially underwritten offering over the 1984 holidays and listed on the ASE (symbol VST). VST is sponsored by VMS Realty Partners, Chicago based private syndicator whose principals are Robert D. Van Kampen, Peter R. Morris, and Joel A. Stone. VST will use its \$65 mil. capital to make bridge loans, generally for six months, to finance property acquisitions, mainly for VMS affiliated partnerships. The principals guarantee repayment. VMS raised \$557 mil. via syndications in 1983, but volume of \$191 mil. thru Sept. was down 23%. Shares appear to be a high yield play on future syndication success. (1/11/85) Update: At Sept. 30, 93% of available funds were invested at 2.53% to 6.38% over prime in these loans: (1) Indian Hills and Nordic Hills Resorts, total \$12 mil.; (2) Maui and Kauai Surf Hotels, Hawaii, \$20.8 mil.; (3) \$3.35 mil. to Serramonte Plaza, 368,000 SF commercial complex south of San Francisco; (4) \$11 mil. on Willows Shop. Ctr, Concord, Cal. Affiliated partnership borrowers have in some instances exercised options to extend 90-day loans for another 90 days. In Nov. 1985 VST borrowed \$76.9 mil. to partially fund VMS' purchase of 26 Holiday Inns; loans will yield 13.9% on non-borrowed funds.

Address & Officers

8700 W. Bryn Mawr Ave.
Chicago, Ill. 60631
(312) 399-8700
Chrm.: Joel A. Stone
Adviser: VMS Realty Inc.
Chrm.: Peter R. Morris
Pres.: Joel A. Stone
Sec. & Treas.: Leonard G. Levine

Del E. Webb Investment Properties Inc. came public July 25 by offering 2.2 mil. shs. with warrants to buy 2.2 mil. additional shs. at \$9.50. Shares listed on ASE under DWP symbol. DWP will operate as a finite-life property REIT, focusing on Sunbelt properties. Initial investment is an 86-DU garden apartment in Sun City West, AZ, net leased to sponsor Del E. Webb Corp. for five yrs. (8/23/85) Update: At Sept. 30, 1985, DWP bought three office buildings with 73,000 SF all in Phoenix for \$7.6 mil. total (or \$104/SF): (1) Dunlap Exec. Park, 31,000 SF, \$3.1 mil.; Northern Plaza, 15,000 SF, \$1.475 mil.; and (3) Park West Corp. Ctr., 27,000 SF, \$3.3 mil.

Address & Officers

3800 N. Central Ave.
Phoenix, Ariz. 85012
(602) 264-8011
Chrm.: Thomas E. Arnold Jr.
Pres.: Dirck K. Iacobelli
VP & CFO: Peter Gorczyk

Weingarten Realty Inc. sold 3.75 mil. sh. at \$19.50 on Aug. 16 (total \$73.1 mil.) to transform this Houston-based shopping center developer into REIT format. The company sold 2.6 mil. shs. and United Financial Group Inc., Houston S&L holding company headed by investor Charles E. Hurwitz, sold 1.15 mil. shs. UFG will own 19.8% of shares following the offering, subject to a standstill agreement. There will be 13.2 mil. shs. outstanding and we compute book value at \$7.47/sh. cost basis plus \$4.48/sh. accumulated depreciation, or \$11.95/sh. adjusted total. Shares listed NYSE under WRI symbol. Initial Rank is B.

EPS/Dividends - B. WRI earned 60¢ actual and 95¢ pro forma in its Nov. 1984 year. EPS was 52¢ for the six months to June 1985, up 16%. We will

treat WRI as a cash flow company with \$1.68/sh. CFS the past 12 mon. Organized 1948, WRI builds neighborhood and community shopping centers, mainly in Houston, and owns 94 centers with 6.6 mil. sq. ft. (90% occupied at June 30). It also owns 1.4 mil. SF industrial, plus three apartments, one office, and 41 unimproved parcels (\$9.2 mil. cost). WRI will pay 39¢ in Sept. for a \$1.68 annualized rate, or 8% on offer price.

Financial measures - B. Debt of \$177 mil. at June 30 is about 45% permanent property-related debt, 55% interim and bank financing.

Exposure - B. WRI is diversified into Tex., La., Ark., Tenn., and Maine. (8/23/85)

Address & Officers

2600 Citadel Plaza Drive

Houston, Tex. 77008

(713) 868-6361

Pres.: Stanford Alexander

SVP & CFO: Joseph W. Robertson Jr.

Treas.: M. Candance DeFour

MASTER LIMITED PARTNERSHIPS

Master limited partnerships are emerging as a new form of raising equity capital for real estate while providing liquidity to investors. Until MLPs emerged, traditional limited partnerships were meant to be illiquid (i.e., too many LP transfers may cost the partnership its pass-thru tax treatment).

MLPs get around this restriction by letting investors trade depository receipts, or units, which represent all the cash-flow and taxable income or loss attributes of LP interests but which are substitute LP interests. The investor essentially trades the very nominal voting rights of a full LP for the liquidity. Better, the investor can at any time elect to become a full limited partner (hence the master designation).

MLPs first were used in the oil business when several partnerships were combined into a single company or MLP (a "roll-up"). Next they were used to raise mortgage funds and indeed mortgage financing MLPs are still numerous. In each instance the MLPs pass-thru income to LPs without Federal income tax.

The first major use of MLPs for real estate ownership was the spin-off of **Ala Moana Hawaii Properties** from Dillingham Corp. on July 1, 1981. Ala Moana depository receipts were accepted for NYSE listing. Ala Moana's purpose was to liquidate its real estate, so the units weren't valued as an ongoing entity. Here are other major events:

--**Southwest Realty Ltd.** rolled-up over 20 separate partnerships via an Oct. 1982 exchange offer into a single MLP, which subsequently sold a new issue of depository receipts. Units trade OTC under symbol SSRPZ. Since its major assets are Texas apartments, cash flow has been under pressure in recent quarters and units have sold to new lows.

--**Newhall Investment Properties** was spun off by Newhall Land & Farming on March 9, 1983 to hold all the investment properties built by Newhall in its Valencia new community 35 miles northwest of Los Angeles. Units trade on the NYSE under NIP symbol. NIP seeks to maximize partnership interests by selling properties when appropriate and distributing proceeds to partners.

--**Newhall Land & Farming** itself converted to MLP format on October 17, 1984 (effective Jan. 8, 1985). Newhall units trade on the NYSE under symbol NHL. NHL officials were so pleased by the strong stock market reception to NIP that they pressed for converting the parent company, which owns substantial California land acquired nearly a century ago.

Events quickened during 1985:

--**Benequity Holdings** was spun out of an insurance holding company and its units listed NYSE under BH symbol;

--A homebuilder, Universal Development Co., converted to MLP format effective July 16, 1985 under the name **UDC-Universal** (NYSE symbol UDC).

--Late in the year a REIT, **Gould Investors Trust**, announced plans to convert to an MLP, **Gould Investors**, subject to shareholder approval in March or April 1986; it would be the first REIT to convert to MLP. ASE-listed GTR cites the greater flexibility in making

investments in condo or coop conversions, and shares of other companies, as reasons for seeking conversion.

--And as this is written, **Burger King Investors Master L.P.** is seeking to sell 4.07 mil. units (\$81.4 mil.); units would list on the NYSE. Burger King MLP would buy 115 geographically diversified Burger King restaurants managed by franchisees.

We include here RSR reviews of Benequity and UDC-Universal, along with reviews of five mortgage and lending MLPs. Two (Angeles Finance and VMS Mortgage) are designed to be symbiotic financing sources for partnerships formed by their sponsoring syndicators. The other three (American Insured Mtg., CRI Insured Mtg. and Winthrop Insured Mtg.) are publicly traded limited partnerships (LPs) owning FHA-insured apartment mortgages. They have adopted the common strategy of buying apartment mortgages at deep discounts (about 69.5% of par) and collecting high Federally insured income while waiting for apartments to be converted to condominiums. When that happens, the big discounts become additional income to holders of assignable limited partnership units.

Angeles Finance Partners came public in a \$21 mil. best-efforts offering closing in Nov. 1985 with 1.05 mil. depository receipts for limited partnership interests sold. Units listed on the ASE under ANF symbol.

Assets: ANF intends making short-term loans principally to affiliated entities including real estate and other partnerships. Loans will be secured by existing or developmental income producing assets. Loans will be for a maximum three years and up to 50% may contain variable interest rates. The sponsor, Angeles Corp., will guarantee 100% of all principal and interest. ANF hopes distributions will equal 150% of average money market fund yields (a target of about 10.8% currently). Monthly distributions will be paid and the Dec. payout of \$0.1386 equals \$1.66 annual rate or 8.3% on purchase price.

Sponsor: Angeles Corp., a diversified Los Angeles syndicator and money manager sponsors and runs ANF thru gene-

ral partner Angeles Funding Corp. Angeles has raised about \$305 mil. in realty syndications in recent years, plus oil and gas syndications. Angeles will receive 0.25% servicing fee. Angeles has given ANF a warrant to buy 200,000 Angeles shs. at 10% over current market within one to three years. (1/24/86)

American Insured Mortgage Investors is a \$200 mil. mortgage limited partnership which sold 10.0 mil. limited partnership units in a best-efforts offering effective Dec. 31, 1984. Units trade OTC under the NASDAQ symbol AIMAZ. A second LP, **AIM - Series 1985** is about to be closed by the sponsor.

Assets: AIMAZ invests in FHA-insured apartment mortgages either originated directly or acquired from others in the open market, generally at discounts from principal or face amount. Investment objectives thus parallel those of CRI Insured Mortgage Inv. and Winthrop Insured Mtg. (RSR, 6/28/85). AIMAZ hopes to profit from capturing this discount when and if mortgages are prepaid before their 40-year maturity. AIMAZ holds \$192.4 mil. purchase price mortgages covering 6,733 apartments divided as follows: 36 projects with 5,719 DU costing \$79.7 mil. or 70.5% of original mortgage (equaling \$15,300/DU); two projects originated with 319 DU bought at \$12.75 mil. par; and a \$100 mil. loan on a 695-DU New York City apartment (\$143,885/DU). Dividends are paid quarterly at a \$1.70 annual rate.

Sponsor: Integrated Resources, Inc., major national realty syndicator and financial services company. Wholly owned AIM Capital Mgmt. Corp. is managing general partner and IRI Properties Capital Corp. the corporate general partner. Managers get 1.75% asset management fee plus 10% of annual cash flow subordinated to a 9% cumulative return to unitholders. (1/24/86)

Benequity Holdings begins RSR coverage after listing on the NYSE last week, trading under the BH symbol. BH is a new tradable partnership (similar to Newhall Land, Southwest Realty, etc.) formed to receive real estate assets formerly held in Beneficial Standard

Corp., a life insurance holding company now liquidated. BH assets are appraised at \$159.3 mil. net of \$33 mil. mortgage debt, or \$27.72 for the 5.75 mil. units outstanding. At current quotes of \$19.25, units trade at 69% of appraised value (or a 31% discount). Major assets include 291,000 sq. ft. Beneficial Plaza in Los Angeles and 102,000 SF Decker Hills office park in Irving, Tex.; a 310,000 SF enclosed shopping center in Palm Springs, Cal. and eight retail facilities with 227,000 SF; six industrial parks with 1.6 mil. SF; and several land parcels and joint ventures. BH had \$2.57/unit pro forma income for 1984 after eliminating taxes. No distribution plan has been stated. The partnership may continue to operate until 2034. General partners are members of the Mitchell family, founders of the predecessor, which owns about 35%. (5/24/85)

CRI Insured Mortgage Investments made its final loan purchases in April and its units (Beneficial Assignee Certificates, or BACs) were listed on the NYSE under symbol CRM. Assets: CRM has bought \$247.9 mil. face amount of FHA project mortgages for \$171.6 mil. or 69.23% of par. The loans bear interest at 7.5% to 9.75% and average 37 to 38 yrs. to maturity. Loans cover 45 apartment projects with 7,573 dwelling units; CRM's cost averages \$22,660 per unit or about \$26 per sq. ft. (vs. about \$65/SF wholesale cost for condos in CRM's markets). Management and operations: CRM is sponsored and managed by CRI, Inc., Rockville, Md., 'sponsor of tax-shelter syndications mainly using FHA insured apartments; CRI is the fifth largest U.S. apartment owner/manager. Several CRI officers are former FHA officers and it believes it has selected projects in active condo markets. CRI will retain and reinvest normal mortgage principal payments. The Apr. dividend of 48¢ (\$1.92/yr.) yields about 8.7% on current price of \$22. CRM has 9.1 mil. units. (6/28/85)

UDC-Universal is a Chicago based homebuilder that converted to partnership form in July. At the time UDC said it intended paying \$1 per share for the next four quarters as special capi-

tal gains tax distributions to help shareholders pay the imputed tax due on the markup of its book value. Management stressed in talking to New York security analysts last week that it intends paying a significant portion of future profits to shareholders, set at about 72% of pretax income. In management's view this could mean distributions of about \$3.80 in 1986; \$4.25 in 1987; and over \$5 afterward. (9/27/85)

VMS Mortgage Investors L.P. came public with a best-efforts \$75.7 mil. offering of 7.63 mil. limited partnership units at \$10 and closing Aug. 7, 1985. Units trade OTC under the NASDAQ symbol VMLPZ.

Assets: VMLPZ invests in wraparound and junior mortgages to affiliates of the sponsor, VMS Realty Partners (see VMS Hotel Trust, above). In Oct. and Nov. VMLPZ funded \$12.6 mil. on (a) the Pennsylvania Bldg., 196,500 rentable SF office in Phil.; and (b) 449-rm. Holiday Inn-Center City, also Phil. The 7-yr. loans have estimated yields of 16.67% and 16.85% respectively, consisting of 11% current interest, plus 20% of appreciation in value. Dividends: The Dec. 9¢ monthly payout was at \$1.08 annual rate; VMLPZ hopes to pay \$1.10 in 1986.

Sponsor: VMS Realty Partners, a Chicago based major syndicator specializing in hotel properties. VMS Mortgage Investors, Inc. is general partner. The GP receives 1% of adjusted operating cash flow subordinated to unitholders getting 15% cumulative non-compounded return. Affiliates also get 1/8% mortgage servicing. (1/24/86)

Winthrop Insured Mortgage Investors II trades ASE under symbol WMI; there are 3.87 mil. assignee units. Assets: WMI holds 14 project mortgages carried at \$82.9 mil. or 69.57% of par. WMI's cost is \$25,006 per DU for its 3,596 apartments. WMI has a finite life of 20 years, although WMI hopes most apartments will be converted to condos in 3-10 years. WMI must distribute all proceeds, including normal principal repayments, to unitholders. Management: WMI is sponsored by First Winthrop Corp., Boston-based syndicator mainly known for major urban properties. (6/28/85)